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RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC PRIORITY
RUEHLMC/MILLENNIUM CHALLENGE CORP WASHINGTON DC PRIORITY 1307
RUCPDOG/DEPT OF COMMERCE WASHDC PRIORITY
RUEAORC/US CUSTOMS AND BORDER WASHDC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 TEGUCIGALPA 000142

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E.O. 12958: DECL: 02/16/2020
TAGS: [ECON](#) [EINV](#) [ENRG](#) [EPET](#) [ETRD](#) [HO](#)
SUBJECT: AMBASSADOR MEETS WITH OIL COMPANY REPRESENTATIVES

REF: A. 09 TEGUCIGALPA 1336
[1](#)B. 09 TEGUCIGALPA 1285

Classified By: Ambassador Hugo Llorens for reasons 1.4 b and d.

This message contains an action request. See paras 1 and 4.

[1](#)1. (C) The Ambassador met with representatives from the oil industry on February 11 to discuss continuing concerns regarding the government's fuel pricing formula. Although the de facto regime addressed oil importers' most important concern when it allowed companies to charge a higher price for premium than for regular gasoline (ref A), the new government is reviewing this decision. Consumer advocates are making a high-profile push for a return to the previous formula. The oil industry representatives told the Ambassador that they had raised their concerns in meetings with government officials, including Minister of Trade and Industry Oscar Escalante. The Ambassador said that he had also raised the issue with Escalante and promised to mention it to President Lobo as well. (Note: The Ambassador mentioned the issue to President Lobo in a meeting on February 14, and with Minister to the Presidency Maria Antonieta Bogran on February 16. End Note) The Embassy is making the case that the existing price formula imposed on the oil industry ensures continued operating losses for U.S. firms, and we are pressing the GOH to take action soonest to provide relief. In a separate discussion, Minister of Finance William Chong Wong asked the Economic Counselor for any objective information that the USG can provide on this issue, including on the potential economic impacts of a move to free-market pricing. Embassy Tegucigalpa would appreciate any information the Department can provide. End summary.

[1](#)2. (SBU) The Ambassador met with representatives from the oil industry on February 11. Participants included Carlos Ernesto Reyes of Chevron Caribbean, Roberto Alvarado and Mario Sierra of DIPPSA, Daniel Mencia of Exxon Mobil, Fernando Ceballos of Hondupetrol/Shell, and Mario Cid of COHPETROL, the oil industry association. The Economic Counselor and EconOff also attended the meeting. The oil industry representatives expressed concern about the possibility that the government would reverse a decision of the de facto regime to abolish a Zelaya administration policy requiring oil importers to sell premium gasoline at the price set for regular. Representatives of Texaco/Chevron and Exxon had told Embassy representatives at previous meetings that

they were losing money in Honduras due to the Zelaya administration policy. The oil industry representatives said that they had met with Minister of Industry and Commerce Oscar Escalante on the issue and were scheduled to meet with President Lobo's first designate, Maria Antonieta Bogran, who oversees the office of the Presidency, as well. (They said that it is their understanding that Bogran will be the point person within the government on the issue. Note: In a meeting with the Ambassador on February 16, Bogran briefed us on her session with the oil companies and said she was looking for a way to find an equitable solution that was accountable to both the oil companies and the Honduran consumer. The Ambassador noted that the existing price formula was forcing U.S. oil companies to lose money and was not a sustainable policy. The Ambassador insisted that a solution be found soonest. End Note)

¶3. (SBU) The Ambassador told the oil industry representatives that he had discussed the issue with Minister of Trade and Industry Oscar Escalante, emphasizing to Escalante that the oil companies had invested in Honduras and deserved a fair return. He pledged to raise the issue with President Lobo as well. (Note: The Ambassador raised the issue during a meeting with Lobo on February 14. Lobo confirmed that he had tasked Bogran to conduct a policy review of the issue and seek a solution that worked for all sides. End Note) The Ambassador emphasized that a decision to allow gasoline to be sold at a fair market price would send a clear signal to potential investors that investment in Honduras is a profitable endeavor. Carlos Reyes of Chevron told the Ambassador that the first stage of repairs to

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Chevron's Honduras terminal, which was damaged in an earthquake in May, was underway, but that, due to lingering uncertainties about the fuel formula issue, the more extensive second phase of repairs had not been authorized.

¶4. (C) Comment: The Lobo government is undertaking this review as part of a broader review of de facto regime policy decisions. Consumer advocate Juliette Handal has been engaged in a high-profile effort to have the de facto regime's decision reversed. A motion to reverse the decision was introduced in Congress but was defeated.

¶5. (C) Comment and Action Request: In a separate discussion on February 12, Minister of Finance William Chong Wong told the Economic Counselor that President Lobo is trying to obtain as much objective information on fuel pricing as possible, including information on the economic effects of a potential move to allow free-market pricing. We would like to take advantage of this opportunity to encourage the Lobo government not merely to continue to allow a higher price for premium than for regular but to move to a free-market pricing system. Embassy Tegucigalpa would appreciate any information that the Department can provide that would demonstrate the benefits of free-market pricing. We understand that other countries in the region have deregulated fuel prices in recent years and may be a source of useful information. We would need to provide this information quickly, since a decision on the issue is likely to take place soon. Point of contact is Economic Counselor Mary Grace McGeehan.
LLORENS